

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 CIAE-00 COME-00 INR-10 LAB-06

NSAE-00 PA-04 RSC-01 SIL-01 USIA-15 PRS-01 SS-20

NSC-10 AGR-20 SPC-03 CIEP-02 CEA-02 DRC-01 /119 W

----- 063371

R 230825Z NOV 73

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 8782

INFO AMEMBASSY TAIPEI

AMEMBASSY TOKYO

USLO PEKING

C O N F I D E N T I A L SECTION 1 OF 2 HONG KONG 11719

NOFORN

E.O. 11652:

TAGS: ETRD CH US

SUBJ: U.S. BUSINESSMEN SUCCESSFUL AT CANTON'S 1973 FALL TRADE
FAIR

SUMMARY: U.S ATTENDANCE AND LEVEL OF BUSINESS TRANSACTED
REACHED A NEW HIGH AT THE 1973 FALL CANTON TRADE FAIR.
ALTHOUGH TOTAL FIAR ATTENDANCE PROBABLY DECLINED, THE NUMBER
OF AMERICANS INCREASED TO 245. TOTAL U.S. BUSINESS DONE AT
THE FAIR REACHED AN ESTIMATED \$40 MILLION. CHINESE
RESPONSIVENESS TO AMERICAN REQUESTS FOR LABELING, PACKAGING
AND DESIGN CHANGES IMPROVED MARKEDLY, BUT A FULL SOLUTION
TO THESE PROBLEMS WILL TAKE TIME. AMERICANS CONTINUED TO
RECEIVE VERY CORDIAL TREATMENT AT THE FAIR. IN ADDITION,
MANY FIRMS WERE ABLE TO ESTABLISH WHAT THEY BELIEVE WILL BE
CLOSE LONG-TERM BUSINESS RELATIONS WITH THE CHINESE.
END SUMMARY.

1. U.S ATTENDANCE AND LEVEL OF BUSINESS TRANSACTED
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NUMBER OF AMERICANS INCREASED TO 245 COMPARED WITH AN ESTI-

MATED 160 AT THE 1973 SPRING FAIR. THE NUMBER OF U.S. FIRMS DIRECTLY REPRESENTED INCREASED TO 128 COMPARED WITH 100 AT THE SPRING FAIR (FOR A LIST OF COMPANIES ATTENDING THE FAIR, SEE HK A-309). AS AT PAST FAIRS, GENERAL IMPORT COMPANIES SPECIALIZING IN CHINESE PRODUCTS WERE MOST NUMEROUS (35), BUT MAJOR DEPARTMENT STORES (9), TOBACCO COMPANIES (5), OIL AND OIL FIELD EQUIPMENT COMPANIES (6) AND CHEMICAL FIRMS (9) WERE ALSO WELL REPRESENTED. WHILE THE CHINESE RESTRICTED THE SIZE OF COMPANY DELEGATIONS FROM SEVERAL COMPANIES, SOME U.S. FIRMS WERE ALLOWED TO BRING IN AS MANY AS FIVE REPRESENTATIVES.

2. TOTAL U.S. BUSINESS DONE AT THE FAIR REACHED AN ESTIMATED \$40 MILLION COMPARED WITH AN ESTIMATED \$30 MILLION DONE AT THE 1972 FALL FAIR, THE PREVIOUS HIGH. ACCORDING TO FAIR DEPUTY SECRETARY GENERAL PENG CHING-PO, U.S. PURCHASES EXCEEDED \$25 MILLION, WITH BUYING PARTICULARLY HEAVY IN GUM ROSIN, FIRECRACKERS AND COTTON TEXTILES. SINCE MOST PRC SALES WERE FOR SUMMER 1974 DELIVERY, THIS SHOULD INSURE A CONTINUED GROWTH OF CHINESE EXPORTS TO THE U.S. THROUGH NEXT YEAR. PURCHASES OF GUM ROSIN BY HERCULES (\$1.52 MILLION), SOBIN (\$1 MILLION), MONSANTO (\$150,000), KOCH (\$145,000) AND OTHERS REACHED AN ESTIMATED \$3 MILLION. ORDERS FOR COTTON TEXTILES INCLUDED \$800,000 FROM LEVI STRAUSS AND LARGE PURCHASES FROM SEVERAL TEXTILE IMPORTERS. WHILE AVAILABILITIES WERE DEFINITELY GREATER THAN AT THE SPRING FAIR, LACK OF CHINESE SUPPLY REMAINED A MAJOR FACTOR RESTRICTING THE SIZE OF U.S. PURCHASES AT THE FAIR.

3. WHILE BUSINESS WAS HEAVIEST IN THE ABOVE COMMODITIES, OTHER IMPORTANT U.S. PURCHASES INCLUDED (1) SEABROOK FOODS' ORDER FOR 240 TONS OF SHRIMP WORTH 1.4 MILLION (2) ASBURY GRAPHITE CO'S PURCHASE OF \$500,000 WORTH OF GRAPHITE; (3) MAY COMPANY'S ORDER FOR \$125,000 WORTH OF INFANTS AND CHILDREN'S WEAR; (4) \$100,000 OF BRISTLES EACH BY WOOSTER BRUSH CO. AND ALKINCO; AND (5) ALEXANDER HASENFELD CO'S PURCHASE OF \$50,000 WORTH OF JEWELRY DIAMONDS.

4. ON THE EXPORT SIDE, U.S. SALES REACHED AN ESTIMATED \$15 MILLION. SHORTAGES IN THE INTERNATIONAL SUPPLY SITUATION, HOWEVER, IN MANY CASES LIMITED AMERICANS TO ONLY

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TOKEN SALES. AMONG THE MOST IMPORTANT DEALS CONCLUDED WERE WEYERHAEUSER'S SALE OF 3,000 TONS OF FIBERBOARD AND 3,000 TONS OF WOOD PULP WORTH \$1.9 MILLION; (2) CHINA TRADE BUSINESS ASSOCIATES' SALE OF \$2.5 MILLION WORTH OF TALLOW; (3) HERCULES' SALE OF \$1.2 MILLION WORTH OF POLYPROPYLENE; (4) PHILLIPS' SALE OF \$0.5 MILLION IN PETROCHEMICALS; (5) UNITED SHOE MANUFACTURING CO'S SALE

THROUGH THE FRENCH FIRM, SOPROMO) OF \$6 MILLION WORTH OF MACHINERY.

5. IN THE ALL-IMPORTANT AREA OF CHINESE RESPONSIVENESS TO AMERICAN REQUESTS FOR PACKAGING, LABELING AND DESIGN CHANGES, THE FAIR SAW SOME NOTICEABLE BREAKTHROUGHS. ONE U.S. FIRM, SPINNERIN YARN CO., REACHED AGREEMENT WITH THE CHINESE TO MARKET CHINESE NEEDLEPOINT UNDER THE SPINNERIN LABEL. WHILE THE PRODUCT IS ADMITTEDLY A SPECIALTY ITEM WITH A LIMITED MARKET, THE AGREEMENT TO SELL UNDER A U.S. BRAND IS THE FIRST KNOWN TO THE CONGEN. OTHER TRADERS REPORTED CHINESE RESPONSIVENESS TO SUGGESTIONS FOR LABELS WHICH WOULD INCLUDE THE CHINESE BRAND NAME BUT ALSO STATE THAT THE PRODUCT WAS MADE EXCLUSIVELY FOR THE U.S. FIRM. WE DO NOT KNOW WHETHER FULL AGREEMENT WAS REACHED. IN AN INTERVIEW WITH VOA CORRESPONDENT SCHULTZ, FAIR DEPUTY SECRETARY SUN FANG NOTED SEVERAL EXAMPLES WHERE CHINESE LABELS, PACKAGING, STYLE OR SPECIFICATIONS RESTRICTED SALES TO THE U.S. MARKET AND SAID THAT THESE PROBLEMS WOULD BE OVERCOME. IN AN ARTICLE ON THE FAIR, NCNA NOVEMBER 11 STATED THAT TRADERS FROM VARIOUS COUNTRIES HAD BEEN CAN- VASSED FOR THEIR OPINIONS ON VARIETIES, DESIGNS, QUALITY, SPECIFICATIONS AND PACKING OF PRC EXPORT COMMODITIES. THIS IS THE FIRST TIME SINCE THE CULTURAL REVOLUTION THAT NCNA HAS PUBLICLY ADMITTED AN INTEREST IN SEEKING SOLUTIONS TO PROBLEMS OF ADAPTING TO FOREIGN MARKETS.

6. WHILE NUMEROUS U.S. BUSINESSMEN REPORTED CHINESE INTEREST TO DISCUSS AND UNDERSTAND U.S. REQUIREMENTS, A FULL SOLUTION OF THESE PROBLEMS WILL TAKE TIME. FOR EXAMPLE, A NEW CHINESE LABEL FOR CANNED MUSHROOMS SHOWN TO BUSINESSMEN AT THE FAIR APPEARED TO FALL SHORT OF MEETING USDA REQUIREMENTS.

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NSC-10 AGR-20 DRC-01 SPC-03 CIEP-02 CEA-02 /119 W

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R 230825Z NOV 73

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7. IN ADDITION TO ACTUAL BUSINESS NEGOTIATIONS, THE FAIR ALSO SERVED AS A VENUE FOR INITIAL TECHNICAL DISCUSSIONS ON FUTURE PLANT AND EQUIPMENT SALES BY SEVERAL MAJOR U.S. CORPORATIONS. AMONG THOSE FIRMS WHICH HELD TALKS WITH TECHIMPORT, MACHIMPEX AND SINOCHEM (AND THE TOPICS DISCUSSED) WERE WESTINGHOUSE (GAS TURBINE MANUFACTURING PLANT), KAISER TRADING (COMPLETE PLANTS), CALTEX (PETROLEUM PRODUCTS), ROLLAWAY CORP. (STEEL BEARING PLANT), COCA COLA (BOTTLING, FOOD PROCESSING, DESALINIZATION), BAKER TRADING AND BYRON JACKSON (OIL FIELD EQUIPMENT), AND DRESSER INDUSTRIES (COMPRESSORS). OF THIS GROUP, CALTEX, WESTINGHOUSE, BAKER AND DRESSER WERE INVITED TO PEKING FOR FURTHER TALKS.

8. IN MARKED CONTRAST TO THE 1973 SPRING FAIR, MOST AMERICAN BUSINESSMEN LEFT CANTON THIS FALL APPARENTLY SATISFIED EITHER WITH BUSINESS DONE OR FUTURE PROSPECTS. AS AT PAST FAIRS, AMERICANS RECEIVED VERY CORDIAL TREATMENT. IN ADDITION, MANY FIRMS WERE ABLE TO ESTABLISH WHAT THEY BELIEVE WILL BE CLOSE LONG-TERM BUSINESS RELATIONS WITH THE CHINESE. SEVERAL AMERICANS, INCLUDING (ON ONE CONFIDENTIAL

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OCCASION) USG OFFS, WERE LECTURED ON MFN BY CHINESE OFFICIALS WHO CLAIMED THAT THE U.S. DISCRIMINATED AGAINST CHINA BY MAINTAINING HIGH TARIFFS AT A TIME OF MASSIVE PRC PURCHASES FROM THE U.S. THE CHINESE QUESTIONED U.S. BUSINESSMEN ABOUT WATERGATE AND EXPRESSED INTEREST IN THE REACTION OF U.S. JEWISH BUSINESSMEN TO THE PRC STAND ON THE MIDDLE EAST WAR. IN GENERAL, HOWEVER, POLITICAL DISCUSSIONS WERE MINIMAL AND QUESTIONS CONCERNING U.S. FOREIGN POLICY AND TAIWAN VIRTUALLY DID NOT ARISE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE PROMOTION, LABELING, TRADE FAIRS, TRADE VISITS, TRADEMARKS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973HONGK11719
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731117/aaaaamga.tel
Line Count: 224
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30-Jul-2001 by kellew0>; APPROVED <19-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: U.S. BUSINESSMEN SUCCESSFUL AT CANTON'S 1973 FALL TRADE FAIR
TAGS: ETRD, BEXP, CH, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005